

## Message Text

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PAGE 01 PEKING 01397 110943Z

ACTION EA-09

INFO OCT-01 ISO-00 SP-02 AID-05 EB-07 NSC-05 EPG-02

TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00

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R 110900Z JUL 77

FM USLO PEKING

TO SECSTATE WASHDC 8161

INFO AMCONSUL HONG KONG

AMEMBASSY TOKYO

C O N F I D E N T I A L PEKING 1397

E.O. 11652: GDS

TAGS: EFIN CH US

SUBJ: BANK OF CHINA DISCUSSIONS WITH OFFICIALS OF FIRST

NATIONAL BANK OF CHICAGO

REF: PEKING 1029

1. SUMMARY: BANK OF CHINA OFFICIALS HAVE DISCUSSED IN DETAIL A PROPOSAL BY US BANKERS TO EXTEND LARGE SYNDICATE BANK LOAN TO PRC IN AMOUNT OF US\$500 - US\$800 MILLION. WE BELIEVE THE MEETING DOES NOT IMPLY A CHANGE IN PRC CREDIT POLICIES, BUT RATHER REPRESENTS BANK OF CHINA INTEREST IN LEARNING MORE OF US AND WESTERN FINANCIAL PRACTICES AND MARKETS. END SUMMARY.

2. THOMAS AYERS, LEADER OF VISITING NORTHWESTERN UNIVERSITY BOARD OF TRUSTEES DELEGATION, AND NORMAN ROSS OF THE DELEGATION, MET WITH BANK OF CHINA OFFICIALS LAST WEEK IN PEKING TO DISCUSS BANKING MATTERS. AYERS IS A MEMBER OF THE BOARD OF DIRECTORS OF THE FIRST NATIONAL BANK OF CHICAGO AND ROSS IS A VICE PRESIDENT.  
CONFIDENTIAL

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PAGE 02 PEKING 01397 110943Z

3. NOTING WIDESPREAD AMERICAN INTEREST IN CHINA AMONG US BANKING CIRCLES, AYERS PRESENTED A PROPOSAL FOR A LARGE "SYNDICATE" LOAN TO THE PRC BY A CONSORTIUM OF US BANKS. AYERS TOLD BANK OF CHINA OFFICIALS THAT HE HAD ALREADY DISCUSSED THE PROPOSAL WITH

SEVERAL US BANKS AND HAD FOUND THAT THEY WOULD CONSIDER EXTENDING SUCH A LOAN. CONTRARY TO AYERS' EXPECTATION, CHINESE OFFICIALS DID NOT REJECT OR IGNORE HIS PROPOSAL, BUT RATHER SHOWED INTENSE INTEREST IN HOW SUCH A LOAN WOULD BE ARRANGED AND WHAT KINDS OF TERMS WOULD BE AVAILABLE. CHINESE REPORTEDLY SAID THAT THEY "MIGHT" BE INTERESTED IN A LOAN FOR \$500 - 800 MILLION, AN AMOUNT AYERS TOLD THEM COULD EASILY BE ARRANGED. WIDE-RANGING DISCUSSION THEN ENSUED ABOUT US FINANCIAL PRACTICES AND THE OPERATION OF US MONEY MARKETS. AYERS' PROPOSAL OF DISCUSSION OF ARRANGEMENTS FOR BANK OVERDRAFTS BY THE BANK OF CHINA ON US BANKS MET WITH NO INTEREST BY CHINESE OFFICIALS.1998

4. AYERS SUGGESTED THAT A US BANKING DELEGATION INVITED TO VISIT PEKING TO DISCUSS LOAN ARRANGEMENT BANK OF CHINA OFFICIALS RESPONDED BY SUGGESTING TTCAPAYERS FIRST PRESENT HIS PROPOSALS IN WRITING AND SAID THAT AFTER APPROPRIATE BANK OFFICIALS HAD STUDIED THEM, DISCUSSION WOULD BE HELD ON THE POSSIBILITY OF INVITING A US GROUP. AT THE END OF THE MEETING, BANK OFFICIALS CAUTIONED AYERS THAT THERE ARE "CERTAIN PROBLEMS" WITH RESPECT TO SUCH A LOAN, A REFERENCE AYERS TOOK TO MEAN THE LACK OF NORMAL RELATIONS BETWEEN THE US AND CHINA.

5. COMMENT: "CERTAIN PROBLEMS" MAY ALSO MEAN THAT THE PRC  
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PAGE 03 PEKING 01397 110943Z

HAS NOT MADE A DECISION TO ACCEPT BANK CREDITS. INDEED, WE BELIEVE THAT HIGH LEVEL PRC PLANNERS CONTINUE TO BE OPPOSED TO THE ACCEPTANCE OF DIRECT LOANS SUCH AS THAT OFFERED BY AYERS AND ROSS. NEVERTHELESS, WE ARE STRUCK BY THE WILLINGNESS OF BANK OF CHINA OFFICIALS TO DISCUSS IN SUCH DETAIL SPECIFIC LOAN FIGUREES AND ARRANGEMENTS.

6. WHETHER OR NOT THE MEETING IMPLIES PRC RECONSIDERATION OF ITS PAST POLICIES CONCERNING CREDIT, AYERS' MEETING FITS IN WITH WHAT APPEARS TO BE A BANK OF CHINA PATTERN OF PAST MONTHS OF KEEN INTEREST IN LEARNING IN MORE DETAIL THE OPERATION OF THE WORLD MONETARY MARKET AND WESTERN FINANCIAL PRACTICES. THE RECENT BANK OF CHINA DELGATION WHICH VISITED EUROPE APPEARED IN PARTICULAR TO HAVE THOSE OBJECTIVES IN MIND.

6. THIS INFORMATION IS COMMERCIALLY SENSITIVE AND SHOULD NOT BE DISCUSSED OUTSIDE THE USG.  
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## Message Attributes

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